

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

COME-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 TAR-01 FEAE-00 L-02 H-01 XMB-02 IGA-01 FCC-01

OES-03 /093 W

----- 068946

R 071518Z FEB 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6505

INFO AMEMBASSY ALGIERS

AMEMBASSY TUNIS

AMEMBASSY TRIPOLI

AMEMBASSY CAIRO

AMEMBASSY BEIRUT

AMEMBASSY DAMASCUS

AMEMBASSY BAGHDAD

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ETRD XF XI FR

SUBJ: FRENCH EXPORT DRIVE

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1. SUMMARY: WIDELY PUBLICIZED FRENCH TRADE EFFORT

IN MIDDLE EAST AND NORTH AFRICA OIL CAPITALS HAS SO FAR PRODUCED ONLY LIMITED NEW SALES RELATIVE TO EXPANDING MARKET, AND FACES STIFF INTERNATIONAL COMPETITION IN LINING UP MANY OF THE CONTRACTS UNDER CONSIDERATION. GOF OFFICIALS HOWEVER BELIEVE THEIR TRADE DRIVE HAS BUILT MOMENTUM, WILL CONTINUE TO SUPPORT IT ACTIVELY, AND ARE WORKING TO REDUCE SOME OF THE INTERNAL OBSTACLES WHICH HINDER GROWTH OF EXPORTS. END SUMMARY.

2. PROMOTION TO MINISTERIAL RANK OF FRENCH FOREIGN TRADE CHIEF NORBERT SEGARD JANUARY 31 CAME AS RECOGNITION OF PERSONAL SUCCESS FOR SEGARD'S HIGHLY VISIBLE AND DYNAMIC TRADE PROMOTION EFFORT (PARTICULARLY IN NEWLY-RICH MIDDLE EASTERN AND NORTH AFRICAN STATES), BUT ALSO AS GOF RECOGNITION THAT MINISTERIAL RANK MAY HELP SEGARD CARRY OUT DIFFICULT PHASE OF SPECIFIC PROJECT NEGOTIATIONS WHICH WILL OCCUPY MUCH OF HIS TIME IN COMING PHASE. FOR, AS SUCCESSFUL AS FRENCH TRADE DRIVE HAS BEEN IN SHOWING THE FLAG IN THE MIDDLE EAST, ITS CONCRETE RESULTS HAVE SO FAR BEEN RELATIVELY THIN. FIGURES IN TENS OF BILLIONS OF FRANCS GIVEN TO THE PRESS FOLLOWING SEGARD OR PM CHIRAC'S TRIPS TO VARIOUS

OIL CAPITALS BOIL DOWN, ON ANALYSIS, TO BE MORE PROSPECTIVE THAN REAL.

3. FRENCH EXPORTS TO MIDDLE EAST AND NORTH AFRICA OPEC COUNTRIES, AMOUNTING TO 7 BILLION FRANCE IN 1973, INCREASED TO 12 BILLION IN 1974 ALTHOUGH STILL HEAVILY WEIGHTED TOWARD TRADITIONAL ALGERIAN MARKET. THEY ARE EXPECTED ALMOST TO DOUBLE IN 1975 AS CONTRACTS ALREADY SIGNED BEGIN TO RESULT IN ACTUAL EXPORTS. PACE OF EXPORT GROWTH IN THIS GREATLY EXPANDED MARKET BEYOND 1975 LEVEL WILL DEPEND LARGELY ON FRENCH EXPORTERS' ABILITY--WITH GOF HELP--TO CONCLUDE SATISFACTORILY THE NUMEROUS CONTRACT NEGOTIATIONS WHICH ARE NOW UNDERWAY IN THE VARIOUS CAPITALS. OF THE SOME 75 BILLION FRANCS' WORTH OF SALES WHICH HAVE REPORTEDLY BEEN UNDER CONSIDERATION, CONTRACTS FOR ONLY 10 BILLION FRANCS LIMITED OFFICIAL USE

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WERE ACTUALLY SIGNED IN 1974 (MFA SOURCES HAVE ESTIMATED TO US THAT 16 BILLION IN SALES ARE ACTUALLY WRAPPED UP). THE REMAINDER IS STILL TO BE NEGOTIATED, SOMETIMES AGAINST STIFF INTERNATIONAL COMPETITION. NOR OF COURSE

WILL THE EXPORT SALES MATERIALIZE IMMEDIATELY FOR MANY OF THESE CONTRACTS, WHICH INVOLVE MULTI-YEAR DEVELOPMENT AND INDUSTRIALIZATION PROJECTS.

4. GOF TRADE OFFICIALS HAVE DESCRIBED THE FRENCH EFFORT OF THE LAST YEAR AS HAVING BEEN DESIGNED PRIMARILY TO GAIN MOMENTUM: TO RE-ENFORCE A FRENCH COMMERCIAL PRESENCE WHERE IT ALREADY EXISTED (NORTH AFRICA--PARTICULARLY ALGERIA--, SYRIA, IRAQ, IRAN) OR TO CREATE ONE WHERE IT DID NOT (PRIMARILY THE ARAB SIDE OF THE GULF). THEY BELIEVE THEY HAVE BEEN LARGELY SUCCESSFUL IN MEETING THIS GOAL, BUT ADMIT THEY HAVE SIGNED AGREEMENTS AND CONTRACTS WHEREVER POSSIBLE, PREFERRING THE VISIBILITY OF A SIGNATURE ON EVEN A VAGUELY WORDED OR HIGHLY PRELIMINARY DOCUMENT TO A MORE CAREFUL BUT LESS DYNAMIC APPROACH. SOME OF THEIR ACHIEVEMENTS, OF COURSE, REPRESENT SOLID GAINS, SUCH AS WIDESPREAD ACCEPTANCE OF SECAM COLOR TV SYSTEM OR ESTABLISHMENT OF A SERIES OF BILATERAL TRADE COMMISSIONS WHICH WILL OBLIGE THE OIL EXPORTERS TO "THINK FRENCH"

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ON A MORE ORGANIZED BASIS IN FUTURE. HOWEVER THE
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MOMENTUM THUS GAINED IN 1974 WILL BE SORELY TESTED AS
THE COMMERCIAL NEGOTIATIONS GET SERIOUSLY UNDERWAY IN
1975 AND BEYOND. "OUR TROUBLES START NOW", ACCORDING
TO ONE MINISTRY OF FOREIGN TRADE OFFICIAL.

5. IN ADDITION TO NORMAL HAZARDS OF INTERNATIONAL
COMMERCE COMPETITION, FRENCH TRADE EFFORT FACES SEVERAL
SIGNIFICANT INTERNAL OBSTACLES. PERHAPS FIRST OF THESE
IS NEED TO EXPAND EXPORT-CONSCIOUSNESS OF FRENCH
INDUSTRY (WHICH WOKE UP ONLY LATELY TO EUROPEAN TRADE
POSSIBILITIES AND HAS SHOWN ONLY LIMITED ENTHUSIASM
FOR MORE DISTANT MARKETS) TO THIS END. NEW TRADE
MINISTRY AND PATRONAT (MANUFACTURERS' ASSOCIATION)
INTEND TO CONCENTRATE CONSIDERABLE EFFORT IN 1975 ON
FIRING UP FRENCH INDUSTRIALISTS THROUGH TRADE SEMINARS
SUCH AS RECENT "ALGERIAN FORTNIGHT" WHICH BROUGHT
TOGETHER ALGERIAN ECONOMIC OFFICIALS AND FRENCH INDUST-
RIALISTS. THE FRENCH HOPE TO BROADEN THE BASE OF THEIR
EXPORT DRIVE, WHICH HAS SO FAR BEEN LED LARGELY BY A

GROUP OF SEVERAL DOZEN MAJOR HEAVY INDUSTRIAL COMPANIES.
THIS IS A WEAKNESS WHICH COULD LEAD TO SERIOUS CAPACITY
OR OTHER BOTTLENECKS AT SOME LATER DATE IF THESE FIRMS
OBTAIN MANY OF THE CONTRACTS FOR WHICH THEY ARE NEGOTI-
ATING OR IF FRENCH DOMESTIC ECONOMY PICKS UP TO EXTENT
OF REDUCING NORMALLY SMALL EXCESS PRODUCTION CAPACITY
OF FRENCH INDUSTRY. ANOTHER OBSTACLE IS RECRUITMENT
OF PROFESSIONAL LEVEL PERSONNEL TO SET UP, MANAGE, AND
TRAIN LOCAL MANAGERS FOR THE INTEGRATED PROJECTS NOW

DEMANDED BY THE MIDDLE EAST GOVERNMENTS. THE "GOLDEN BRIDGE" NECESSARY TO LURE THE FRENCH AWAY FROM PARIS OR GRENOBLE CAN BE A SIGNIFICANT COST FACTOR FOR INDIVIDUAL FIRMS, WHILE FRENCH ECONOMIC PLANNERS HAVE BEGUN TO WORRY ABOUT A BRAIN DRAIN FROM FRANCE, PARTICULARLY WHEN EXPANDING PROGRAM OF TECHNICAL ASSISTANCE TO AFRICA IS ALSO TAKEN INTO ACCOUNT.

6. PROJECT CREDITS, OF COURSE, ARE NOT AN OBSTACLE FOR SALES TO THE OIL EXPORTERS. WHERE FRANCE'S MIDDLE EAST CUSTOMERS ARE NOT SO WELL-HEELED, THE GOF IS

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ACTIVELY SEEKING TRIANGULAR DEALS USING PETRODOLLARS. MOREOVER, THE CEILINGS ON COFACE-GUARANTEED EXPORT CREDITS HAVE BEEN SIGNIFICANTLY INCREASED FOR THE MIDDLE EASTERN COUNTRIES.

7. AS MIDDLE EAST EXPORT DRIVE IS GIVEN HIGH PRIORITY BY GOF, FRENCH INDUSTRIALISTS WILL CONTINUE TO RECEIVE ACTIVE GOVERNMENT SUPPORT IN COMPETING FOR SALES. MOREOVER, CLOSE GOF-INDUSTRY RELATIONS WHICH EXIST THROUGH FRENCH INDUSTRIAL FEDERATION SYSTEM GIVE GOF AN INFORMAL BUT FAIRLY EFFECTIVE MEANS TO INFLUENCE COMPANY DECISIONS, FOLLOW-UP ON AGREEMENTS, ETC. NEVERTHELESS, GOF HAS SO FAR RESISTED EFFORTS BY SOME OIL STATES TO OBTAIN FORMAL GOF GUARANTEES THAT FRENCH FIRMS WILL MEET SALES OR CONTRACT CONDITIONS.

8. IN FINAL ANALYSIS, SUCCESS OR FAILURE OF FRENCH EXPORT DRIVE WILL DEPEND ON QUESTIONS OF COST, RELIABILITY, AND EFFECTIVENESS OF PRODUCTS SOLD. HERE, EVEN BEST GOF EFFORTS CANNOT HAVE DETERMINING EFFECT IN NEAR

TERM. IN FACT, RECENT EC STUDY HAS PREDICTED THAT FRANCE WILL DO SLIGHTLY WORSE THAN ITS NEIGHBORS IN RECAPTURING ITS SHARE OF PETRODOLLAR EXPORTS. RATHER THAN DISCOURAGING THEM, HOWEVER, THIS PREDICTION SEEMS ONLY TO HAVE DETERMINED GOF TRADE OFFICIALS TO TRY HARDER. ALTHOUGH SEGARD AND CHIRAC HAVE ALREADY MADE THEIR MAJOR VISITS TO MIDDLE EAST COUNTRIES AND ARE UNLIKELY TO DO ENCORES (SEGARD HIMSELF HAS MULTIPLE PLANS TO TRAVEL TO LATIN AMERICA AND ELSEWHERE IN 1975), PRESIDENT GISCARD WILL VISIT ALGERIA IN NEXT FEW MONTHS. FRENCH TRADE MISSIONS WILL CONTINUE TO SEEK NEW SALES ACTIVELY IN ORDER TO HELP TURN AROUND THE COUNTRY'S 1974 PAYMENTS DEFICIT OF 17 BILLION FRANCS AS SOON AS POSSIBLE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS03356
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750045-0992
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750262/aaaacdwh.tel
Line Count: 277
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 14 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 APR 2003 by KelleyW0>; APPROVED <15 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH EXPORT DRIVE LIMITED OFFICIAL USE
TAGS: ETRD, XF, XI, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006